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OSA-0919-62

4 September 1962

Dear Warren:

Attached is final Audit Report of Boston's costs under your P.O. NO. 100-9.

The Contracting Officer concurs with the Auditor's Report and recommends settlement based upon the approved costs of \$5,262,082.12 which includes an amount for R&D per the cost sharing agreement between Boston and the Air Force. Such recommendation is based upon the Contractor's willingness to accept allocable costs incurred over and above the estimated cost of the purchase order and the absence of any instructions to the subcontractor to the contrary.

Very truly yours,

/s/

Wendell

CD/OSA-DD/R:JHMcDonald:RU

Cy 1 - LMSC w/att.

2 - CD/OSA RT-100 Prop w/orig

3 - AF Auditor

4 - RB/OSA

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DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D.C.



REPLY TO
ATTN OF:

SUBJECT:

TO:

OSA-0916-62

#1025

2-1M

REPLY TO:
Auditor General
Comptroller, USAF
Eastern District
Liaison Officer
P.O. Box 8155
S.W. Station
Washington, D. C.

17 August 1962

SUBJECT: Report on Final Audit of CPFF Subcontract
ITEK Corporation
Subcontractor under IMSC P.O. No. 100-9
Under Prime Contract No. RT-100

TO : Contracting Officer

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1. This is a final audit report for the subject subcontract dated 30 December 1958. Performance commenced 1 May 1958 and was completed 11 April 1960. The subcontract as amended provided for the design, development, fabrication and delivery of a specified quantity of photographic reconnaissance camera systems for use in an orbiting satellite, and related equipment, with total estimated costs of [redacted] and fixed fee of [redacted]

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2. ITEK's final invoice (No. 82, dated 26 July 1962) for total costs under the contract (exclusive of fixed fee) amounted to [redacted] which represents a claimed overrun [redacted]. However, under the terms of the subcontract the reimbursement of incurred costs is limited to [redacted]. As a matter of further interest, the aforesaid costs claimed by the Contractor of [redacted] include approximately [redacted] for independent research and development costs not specifically provided for in the subcontract.

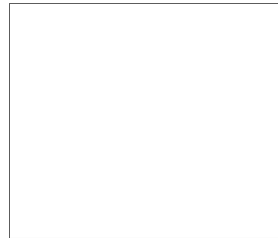
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3. A summary of the results of audit, as detailed in Exhibit A, follows:




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Total incurred costs claimed
by Subcontractor
Fixed fee

Less amount suspended
Total approved



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The amount of  is suspended as it represents costs billed in excess of the total amount authorized under the contract. Of this amount  could be considered acceptable if the prime contractor and contracting officer determine that, under the circumstances, the subcontract will be amended to provide coverage for the overrun and for the acceptance of independent research and development costs to the same extent set forth in the cost sharing agreement between ITEK Corporation and the United States Air Force, which applies to fiscal years 1959, 1960, 1961 and 1962. The remainder of  claimed by the subcontractor is considered by the auditor to be unallowable. It consists of the portion of independent R & D to be shared by the subcontractor and other overhead adjustments resulting from the subcontractor's use of rates which exceed those proposed to the Air Force.

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4. Allowable costs were determined in accordance with Part 2, Section XV, ASPR and other terms of the subcontract.

5. All known credits and refunds are reflected in the costs allowed under the subcontract. There are no known scrap or other credits with respect to property either acquired or furnished under the subcontract.

6. Accountability for residual inventory under this subcontract has been transferred to a follow-on subcontract with the concurrence of the prime contractor. The subcontractor has submitted reports and documents required under the subcontract. However, the final release will require correction in order to correspond with the agreed price.

7. The results of the audit were discussed with the subcontractor's assistant controller, Mr. Arthur J. Lynch, who reserved comment thereon pending further study.



Audit Liaison Officer
Eastern District
Auditor General

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